

Question 1

Time remaining: 1 hour, 23 minutes

The purpose of the financial statement that lists an entity's total assets and total capital and liabilities is to show:

- ☐ the financial performance of the entity over a period of time
- ☐ the amount the entity could be sold for in liquidation
- ☐ the amount the entity could be sold for as a going concern
- ☐ the financial position of the entity at a particular moment in time

Question 2

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The directors of Lagon plc wish to omit an item from the company's financial statements on the grounds that it is commercially sensitive. Information on the item would influence the users of the information when making economic decisions.

According to IAS 1, *Presentation of Financial Statements* the item is said to be:

- ☐ neutral
- ☐ prudent
- ☐ material
- ☐ understandable

Question 3

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Which of the following statements best describes ethical guidance in the UK?

- ☐ Ethical guidance provides a set of rules which must be followed in all circumstances.
- ☐ Ethical guidance is a framework containing a combination of rules and principles, the application of which is dependent on the professional judgement of the accountant based on the specific circumstances.
- ☐ Ethical guidance provides a set of principles which can be applied at the discretion of the accountant.
- ☐ Ethical guidance is a series of legal requirements.

Question 4

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On 1 April, a business had a balance of £100 (the imprest amount) in petty cash. At the end of April, it has vouchers totalling £38, a receipt for a refund for stationery of £4 and a note to say that an employee was reimbursed £12 in respect of postage costs, but no voucher was issued.

How much does the business need to reinstate its imprest balance at 30 April?

- ☐ £34
- ☐ £46
- ☐ £54
- ☐ £66

Question 5

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Winn Ltd has opening trade payables of £24,183 and closing trade payables of £34,655. Purchases for the period totalled £254,192 of which £31,590 related to cash purchases.

Total payments recorded in the payables ledger for the period were:

- ☐ £212,130
- ☐ £233,074
- ☐ £243,720
- ☐ £264,664

Question 6

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Anchor Ltd is preparing its financial statements. After transferring the balances on all the income and expense ledger accounts to the profit and loss ledger account, the total credits in the profit and loss ledger account exceed the total debits by £4,000.

Which **two** of the following statements about Anchor Ltd are correct?

- ☐ Anchor Ltd has made a loss for the year of £4,000.
- ☐ Anchor Ltd has made a profit for the year of £4,000.
- ☐ To begin to calculate the closing capital account balance, Anchor Ltd should credit the capital account and debit the profit and loss ledger account with £4,000.
- ☐ The opening balance on the profit and loss ledger account for the next reporting period is £4,000 credit.
- ☐ The closing balance on the profit and loss ledger account of £4,000 should be deducted from the capital account to give the profit for the year.

Question 7

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Smyths's draft profit for the year is £324,700. After the draft profit was calculated, the following issues were discovered.

- Debts of £6,800 should have been written off as irrecoverable at the year end, but the journal entry was not posted.
- The accounting system had automatically calculated and recorded depreciation, but the standing data was found to be incorrect. The depreciation rate for cars should have been updated to 20% straight-line at the start of the year, but was left as 25% straight-line in error. The balance on the car cost account at the year end was £24,000. There were no additions or disposals of cars in the year.

What is Smyths's corrected profit for the year after accounting for the above issues?

- ☐ £323,500
☐ £319,100
☐ £313,100
☐ £316,700

Question 8

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The following information relates to a bank reconciliation. The balance in the cash at bank account before taking the items below into account was £8,970 overdrawn.

1. Bank charges of £550 on the bank statement have not been entered in the cash at bank account.
2. The bank has credited the account in error with £425 which belongs to another customer.
3. Cheque payments totalling £3,275 have been entered in the cash at bank account but have not been presented for payment.
4. Cheques totalling £5,380 have been correctly entered on the debit side of the cash at bank account but have not been paid in at the bank.

What was the overdrawn balance as shown by the bank statement?

- ☐ £6,990
☐ £10,650
☐ £11,200
☐ £11,625

Question 9

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The following information relates to Camberwell plc's year-end inventory of finished goods.

	Direct costs of materials and labour	Production overheads incurred	Expected selling and distribution overheads	Expected selling price
	£	£	£	£
Inventories category 1	2,470	2,100	480	5,800
Inventories category 2	9,360	2,730	150	12,040
Inventories category 3	1,450	850	190	2,560
	13,280	5,680	820	20,400

At what amount should finished goods inventory be stated in the company's statement of financial position?

- ☐ £13,280
☐ £18,960
☐ £18,760
☐ £19,580

Question 10

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For the year ended 31 October 20X3 a company carried out a physical count of inventory on 4 November 20X3, leading to an inventory cost at this date of £483,700.

The following transactions took place between 1 November 20X3 and 4 November 20X3:

1. Goods costing £38,400 were received from suppliers.
2. Goods that had cost £14,800 were sold for £20,000.
3. A customer returned, in good condition, some goods which had been sold to him in October for £600 and which had cost £400.
4. The company returned goods that had cost £1,800 in October to the supplier, and received a credit note for them.

What amount should be shown in the company's financial statements at 31 October 20X3 for closing inventory, based on this information?

- ☐ £458,700
☐ £505,900
☐ £508,700
☐ £461,500

Question 11

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During the year ended 31 March 20X4 Boogie plc suffered a major fire at its factory, in which inventory that had cost £36,000 was destroyed. An insurance payment of 80% of the cost has been agreed but not received at the year end.

Which of the following correctly completes the journal entry to take account of these matters?

Debit trade and other receivables with £28,800 and:

- ☐ Debit Administrative expenses £36,000, Credit Purchases £28,800, Credit Revenue £36,000
- ☐ Debit Administrative expenses £7,200, Credit Purchases £36,000
- ☐ Debit Administrative expenses £36,000, Credit Purchases £36,000, Credit Other income £28,800
- ☐ Debit Administrative expenses £7,200, Credit Inventory £36,000

Question 12

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The following issues arose while Atkins Ltd was preparing its financial statements for the year to 31 December 20X2.

1. £350 was received in December 20X2 in respect of a debt which had been written off in the previous year. The receipt was correctly included in the cash at bank account, but the computerised accounting system was unable to match this transaction and posted the other side of the entry to a suspense account.
2. The directors determined that the allowance for receivables should be reduced from £900 to £800 at the year end.

What journal entries should Atkins Ltd make to account for the above issues?

- ☐ Debit Irrecoverable debts expense £450, Credit Suspense £350, Credit Allowance for receivables £100
- ☐ Debit Allowance for receivables £800, Credit Suspense £350, Credit Irrecoverable debts expense £450
- ☐ Debit Irrecoverable debts expense £450, Debit Suspense £350, Credit Allowance for receivables £800
- ☐ Debit Allowance for receivables £100, Debit Suspense £350, Credit Irrecoverable debts expense £450

Question 13

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As at 30 November 20X4 Whitley plc had accrued distribution costs of £5,019 and prepaid distribution costs of £2,816. On 1 December 20X4 the bookkeeper processed the following opening journal: Debit Prepayments £2,816, Debit Distribution costs £2,203, Credit Accruals £5,019.

During the year to 30 November 20X5 cash was paid in respect of distribution costs of £147,049 and was correctly posted to the distribution costs account. At the year end, Whitley plc's bookkeeper correctly processed closing journals to set up an accrual of £4,423 and a prepayment of £3,324 in respect of distribution costs.

Which of the following journals should Whitley plc process as at 30 November 20X5 to correct the three accounts?

- ☐ Debit Accruals £10,038, Credit Prepayments £5,632, Credit Distribution costs £4,406
- ☐ Debit Accruals £5,019, Credit Prepayments £2,816, Credit Distribution costs £2,203
- ☐ Debit Distribution costs £4,406, Debit Prepayments £5,632, Credit Accruals £10,038
- ☐ Debit Distribution costs £2,203, Debit Prepayments £2,816, Credit Accruals £5,019

Question 14

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Bez plc draws up financial statements to 31 December in each year. It pays internet server charges for each year ending 30 April in two equal instalments, on 1 May and 1 November, in advance. It also pays telephone rental charges quarterly in arrears at the end of February, April, July and November. The total internet server charge for the year to 30 April 20X6 was £9,000. Telephone rental charges for the year commencing 1 July 20X5 were £7,440.

What was the prepayment for internet server charges included in Bez plc's statement of financial position at 31 December 20X5?

- ☐ £1,500
- ☐ £3,000
- ☐ £2,250

What was the accrual for telephone rental charges included in Bez plc's statement of financial position at 31 December 20X5?

- ☐ £1,860
- ☐ £1,240
- ☐ £620

Question 15

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Stripes plc purchased new machinery on 1 August 20X4 for £38,000. The scrap value of the machinery at the end of its six-year useful life has been assessed as £2,000. Stripes plc's policy is to calculate depreciation monthly on the straight-line basis.

The depreciation charge in Stripes plc's statement of profit or loss for year ended 31 March 20X5 should be:

- ☐ £4,000
- ☐ £3,500
- ☐ £6,000
- ☐ £4,500

Question 16

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Yvette purchased some plant on 1 January 20X0 for £38,000. The payment for the plant was correctly entered in the cash at bank account but was incorrectly entered on the debit side of the plant repairs account.

Yvette charges depreciation monthly on the straight-line basis over five years and assumes no scrap value at the end of the life of the asset.

How will Yvette's profit for the year ended 31 March 20X0 be affected by the error?

- ☐ Understated by £30,400
- ☐ Understated by £36,100
- ☐ Understated by £38,000
- ☐ Overstated by £1,900

Question 17

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Morse plc has the following note to its statement of financial position relating to plant and machinery as at 31 May.

	20X7	20X6
	£	£
Cost	110,000	92,000
Accumulated depreciation	72,000	51,000
Carrying amount	38,000	41,000

During the year to 31 May 20X7, the following transactions occurred in relation to plant and machinery:

Additions £39,000

Loss on disposals £2,000

Depreciation charge £27,000

What were the proceeds from disposals of plant and machinery received by Morse plc in the year to 31 May 20X7?

- ☐ £7,000
- ☐ £8,000
- ☐ £13,000
- ☐ £17,000

Question 18

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Grease plc is a large company with a share capital of 3 million 20p equity shares. To raise funds it has made a 1 for 4 rights issue of its equity shares at £3.60 per share. The rights issue was fully taken up but only £1.9 million had been paid up at the year end, 30 September 20X2. Grease plc correctly debited cash at bank with £1.9 million and recorded the other side of the transaction in the suspense account.

Which adjustment should Grease plc make to correctly record the rights issue?

- ☐ Debit Other receivables £2,700,000, Credit Share capital £150,000, Credit Share premium £2,550,000
- ☐ Debit Suspense £1,900,000, Debit Other receivables £800,000, Credit Share capital £750,000, Credit Share premium £1,950,000
- ☐ Debit Other receivables £800,000, Credit Share capital £150,000, Credit Share premium £650,000
- ☐ Debit Suspense £1,900,000, Debit Other receivables £800,000, Credit Share capital £150,000, Credit Share premium £2,550,000

Question 19

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Lake plc makes purchases on credit for £9,801 and purchases for cash of £107 in the year ended 31 January 20X4. The company's purchases accruals need to be £75 less than at the previous year end, and prepayments need to be £60 less.

What is the figure for purchases included in cost of sales in Lake plc's statement of profit or loss for the year ended 31 January 20X4?

- ☐ £9,893
- ☐ £9,923
- ☐ £9,786
- ☐ £9,908

Question 20

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An extract from the statement of financial position for Highmead has the following balances:

	20X5		20X4	
	£	£	£	£
Current liabilities				
Income tax payable		150,000		10,000

The tax expense in the statement of profit or loss for the year ended 20X5 was £160,000 and £150,000 in the year ended 20X4.

What is the amount of tax that Highmead paid or received in the year ended 20X5?

- ☐ £20,000 paid
- ☐ £20,000 received
- ☐ £10,000 paid
- ☐ £10,000 received

Question 21

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The following extracts are taken from the financial statements of Radio for the years ended 31 March 20X4 and 20X5:

Statement of financial position extract:

	20X5	20X4
	£	£
Inventories	310,600	363,700
Trade receivables	312,000	299,500
Trade payables	277,200	269,400

Statement of profit or loss extract:

	20X5
	£
Profit from operations	797,200
Finance charge	(15,000)
Profit before tax	782,200
Income tax	(219,000)
Profit for the period	563,200

What is the cash generated from operations to be included in the statement of cash flows for the year ended 31 March 20X5?

- ☐ £626,600
- ☐ £748,800
- ☐ £815,600
- ☐ £845,600

Question 22

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Which of the following transactions are not recorded in a company's cash at bank account?

- ☐ Bonus issue of shares
- ☐ Sale of goods for cash to a customer
- ☐ Receipt of loan from a bank
- ☐ Purchase for cash of shares in another company

Question 23

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Declan and Indiah are in partnership, sharing profits 3:2.

On 1 July 20X4 Calum joins the partnership. Under the new partnership agreement profits will be shared by Declan, Indiah and Calum 5:3:2 respectively with the following annual salaries.

Indiah £40,000 pa

Calum £48,000 pa

Profit accrues evenly over the year. The partnership profit at 31 December 20X4 was £450,000.

How should the profits be allocated for the year ended 31 December 20X4?

		Declan	Indiah	Calum
☐	A	£229,500	£165,900	£54,600
☐	B	£236,500	£160,900	£52,600
☒	C	£225,000	£135,000	£90,000
☐	D	£225,000	£164,300	£60,200

Question 24

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Gina, Hardeep and Iona are in partnership, preparing their accounts for the year to 31 December each year.

The profit-sharing arrangements are as follows:

Until 30 June 20X3: annual salaries Hardeep: £40,000, Iona: £20,000, balance to be split 3:1:1.

From 1 July 20X3 salaries to be discontinued, profit to be divided 5:3:2. The profit for the year ended 31 December 20X3 was £400,000 before charging partners' salaries, accruing evenly through the year and after charging an expense of £40,000 which it was agreed related wholly to the first six months of the year.

How should the profit for the year be divided among the partners?

		Gina	Hardeep	Iona
☐	A	£182,000	£130,000	£88,000
☐	B	£200,000	£116,000	£88,000
☒	C	£198,000	£118,000	£88,000
☐	D	£180,000	£132,000	£88,000